



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

News Release

FOR IMMEDIATE RELEASE

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PUC AUDIT RECOVERS MORE THAN \$1 MILLION FOR HIGH COST FUND B

SAN FRANCISCO, June 20, 2006 -- The California Public Utilities Commission (PUC), in its continuing mission to provide high quality, affordable telephone service to California consumers, uncovered calculation errors of over \$1 million in an audit of Citizens Telecommunications Company of California.

The audit was on the collection and remittance of surcharges paid by customers and claims the company made to the High Cost Fund B, which provides subsidies to carriers for providing basic local telephone service to residential customers in high cost areas.

The errors uncovered during the routine audit were the result of the company inadvertently using an incorrect federal tax rate that is used as an offset in calculating California state subsidies. The errors compounded a small dollar amount by every customer living in a high cost area for every month until the audit uncovered the problem. In addition, a software error made during a billing system conversion incorrectly included customers from two subsidiaries of the company, which inappropriately increased the High Cost Fund payments to the company by almost \$40,000 per month.

Consequently, Citizens Telecommunications claimed \$1,201,444 more than it was entitled to claim. The company agreed with the finding, made the necessary adjustments to their systems, and promptly refunded the entire amount plus interest for a total of \$1,239,949 to the PUC. This refund will help ensure the financial viability of the High Cost Fund and further its goal for the provision of affordable telephone service to customers in high cost areas.

For more information on the High Cost Funds, please visit <http://www.cpuc.ca.gov/static/telco/public+programs/chcfb.htm>.

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